

DEBT SERVICE FUNDS

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all State Trunkline Fund-related bond issues. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the Michigan State Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all Comprehensive Transportation Fund-related bond issues. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the Michigan State Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

Public Acts 326 and 327 of 1988 established this fund to service bond issues of the Recreation Bond Fund-Local Projects, Recreation Bond Fund-State Projects, and the Environmental Protection Bond Fund. Also pursuant to P.A. 284 of 1998 and Part 196 of P.A. 451 of 1994, the fund services bond issues of the Clean Michigan Initiative Bond Fund-Local Projects, Clean Michigan Initiative Bond Fund-State Projects, and Clean Michigan Initiative Bond Fund-Environmental Projects. This fund also reflects debt service transactions related to State Park Improvement Fund revenue bonds, issued pursuant to Part 741 of P.A. 451 of 1994, as amended.

Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund, transfers from the State Park Improvement Fund representing state park revenues pledged for the payment of State Park Gross Revenue Bonds, and transfers from other funds as required by legislative appropriation or executive order.

Reserved fund balance of \$300 thousand on the Balance Sheet represents a reserve account required by the State Park Gross Revenue Bonds document for additional security to pay bond principal and interest.

SCHOOL LOAN BOND REDEMPTION FUND

Public Act 74 of 1955 and P.A. 112 of 1961 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. The School Bond Loan Fund, a special revenue fund, receives the State bond proceeds and makes the loans. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of state equipment.

The Authority's projects are financed by revenue bonds, the proceeds of which can only be used for construction and debt service on projects related to particular bond issues. During construction, debt service requirements are financed by a portion of the bond proceeds that are dedicated for that purpose. For completed projects, the resources to finance bond interest and redemption are provided by transfers from the General Fund and from investment earnings of this fund. When a project is completed, the remaining net assets are transferred to this fund where they are invested and used for debt service. Excess balances related to a particular bond series remaining in the fund after the final payment on the bond series are transferred to the General Fund.

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was established in 1993 and operated under Part 215 of P.A. 451 of 1994, as amended, to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund. Pursuant to P. A. 390, 2004, the fund financed the defeasement of principal and interest due on bonds issued by the authority, and all remaining money in the fund transferred to the Refined Petroleum Fund (a subfund of the General Fund) created in MCL 324.21506a. The remaining balance represents funds that may be needed to pay residual costs related to the defeasement.

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
 SEPTEMBER 30, 2005
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Equity in common cash	\$ 455	\$ -	\$ 1,169
Amounts due from other funds	-	-	-
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	455	-	1,169
Investments	-	-	-
Total Assets	\$ 455	\$ -	\$ 1,169
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ 267	\$ -	\$ 1
Accounts payable and other liabilities	188	-	21
Total Current Liabilities	455	-	21
Total Liabilities	455	-	21
Fund Balances:			
Reserved for other purposes	-	-	300
Unreserved	-	-	848
Total Fund Balances	-	-	1,148
Total Liabilities and Fund Balances	\$ 455	\$ -	\$ 1,169

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS
\$ -	\$ -	\$ -	\$ 1,625
-	6	-	6
-	187,217	91	187,308
-	467	-	467
-	187,691	91	189,406
-	6,000	-	6,000
\$ -	\$ 193,691	\$ 91	\$ 195,406
\$ -	\$ -	\$ -	\$ 268
-	43	-	252
-	43	-	520
-	43	-	520
-	-	-	300
-	193,648	91	194,586
-	193,648	91	194,886
\$ -	\$ 193,691	\$ 91	\$ 195,406

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
REVENUES			
Miscellaneous	\$ 1	\$ -	\$ 19
Total Revenues	1	-	19
EXPENDITURES			
Current:			
General government	-	-	975
Education	-	-	-
Transportation	3,621	580	-
Debt Service:			
Bond principal retirement	53,026	15,565	36,650
Bond interest and fiscal charges	63,599	13,376	45,865
Total Expenditures	120,247	29,520	83,490
Excess of Revenues over (under) Expenditures	(120,246)	(29,520)	(83,471)
OTHER FINANCING SOURCES (USES)			
Premium on bond issuance	50,815	7,815	11,349
Refunding bonds issued	601,270	62,180	125,750
Payment to refunded bond escrow agent	(648,464)	(69,415)	(136,124)
Transfers from other funds	116,626	28,941	82,534
Transfers to other funds	-	-	-
Total Other Financing Sources (Uses)	120,246	29,520	83,509
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	38
Fund Balances - Beginning of fiscal year	-	-	1,110
Fund Balances - End of fiscal year	\$ -	\$ -	\$ 1,148

SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS
\$ -	\$ 3,291	\$ 1,204	\$ 4,514
-	3,291	1,204	4,514
2,288	-	120	3,383
-	3,215	-	3,215
-	-	-	4,201
24,755	119,934	104,780	354,711
16,336	128,675	8,366	276,216
43,379	251,825	113,266	641,726
(43,379)	(248,534)	(112,061)	(637,212)
-	21,302	-	91,280
445,944	293,395	-	1,528,539
(443,657)	(312,227)	-	(1,609,886)
41,091	246,910	-	516,101
-	(706)	(59,372)	(60,078)
43,379	248,674	(59,372)	465,956
-	140	(171,433)	(171,255)
-	193,507	171,524	366,141
\$ -	\$ 193,648	\$ 91	\$ 194,886



CAPITAL PROJECTS FUNDS

COMBINED RECREATION BOND FUND - STATE PROJECTS

Established in 1988, this fund currently operates under Parts 196, 715, and 741 of P.A. 451 of 1994, as amended. The balances in the fund reflect proceeds and investment earnings remaining from two bond packages: \$70 million of general obligation bonds approved by voters in November 1988 as part of a \$140 million bond package for financing State and local public recreation projects and \$50 million of general obligation bonds approved by voters in November 1998 as part of a \$675 million bond package known as the "Clean Michigan Initiative."

Proceeds from the 1988 bond package were used to construct, expand, and develop recreational facilities at State parks. Proceeds from the 1998 bond package were used for infrastructure improvements at State parks with the installation or upgrade of drinking water systems or restroom facilities as a first priority.

ADVANCE FINANCING FUNDS

The Advance Financing Funds reflects the activities of two sub-funds: the State Building Authority Advance Financing Fund and the Site Preparation Economic Development Fund.

The State Building Authority Advance Financing Fund was administratively established to account for expenditures incurred for equipment, higher education, and State projects prior to the issuance of State Building Authority bonds. Appropriation acts and concurrent resolutions provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of the State Building Authority are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as a payable to the General Fund. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to State Building Authority projects are recorded in this fund.

The State Building Authority, in its separately issued statements, does not recognize liabilities for these projects until bonds or commercial paper are issued; therefore, no receivable from the Authority is recognized in this fund prior to bond or commercial paper issuance. This results in the fund showing a year-end fund balance deficit. The Authority will reimburse this fund by recording a transfer and the deficit attributable to the bonded projects will be eliminated when the Authority issues bonds or obtains commercial paper.

The Site Preparation Economic Development Fund was created by P.A. 265 of 1999 to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of State equipment. The Authority's five board members are appointed by the Governor.

This capital projects fund accounts for the construction of State projects, certain equipment financing, and higher education related projects. Transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the State Building Authority Advance Financing Fund, and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's Government-wide Financial Statements, accumulated expenditures for incomplete projects are reflected as "construction in progress" and completed projects are recorded as "buildings."

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2005
 (In Thousands)

	COMBINED RECREATION BOND FUND- STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS
ASSETS				
Current Assets:				
Equity in common cash	\$ 1,996	\$ -	\$ -	\$ 1,996
Amounts due from other funds	-	15,624	-	15,624
Amounts due from component units	-	1,779	-	1,779
Amounts due from local units	-	1,356	-	1,356
Investments	-	-	23,317	23,317
Other current assets	-	1,907	69	1,975
Total Current Assets	<u>1,996</u>	<u>20,665</u>	<u>23,386</u>	<u>46,047</u>
Total Assets	<u>\$ 1,996</u>	<u>\$ 20,665</u>	<u>\$ 23,386</u>	<u>\$ 46,047</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ -	\$ 647	\$ -	\$ 647
Accounts payable and other liabilities	53	27,000	203	27,256
Amounts due to other funds	-	17,103	15,624	32,727
Bonds and notes payable	-	-	334,177	334,177
Interest payable	-	-	883	883
Total Current Liabilities	<u>53</u>	<u>44,750</u>	<u>350,887</u>	<u>395,690</u>
Total Liabilities	<u>53</u>	<u>44,750</u>	<u>350,887</u>	<u>395,690</u>
Fund Balances:				
Unreserved	<u>1,943</u>	<u>(24,085)</u>	<u>(327,501)</u>	<u>(349,643)</u>
Total Fund Balances	<u>1,943</u>	<u>(24,085)</u>	<u>(327,501)</u>	<u>(349,643)</u>
Total Liabilities and Fund Balances	<u>\$ 1,996</u>	<u>\$ 20,665</u>	<u>\$ 23,386</u>	<u>\$ 46,047</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**CAPITAL PROJECTS FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2005

(In Thousands)

	COMBINED RECREATION BOND FUND- STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS
REVENUES				
Miscellaneous	\$ 65	\$ 261	\$ 5,217	\$ 5,543
Total Revenues	65	261	5,217	5,543
EXPENDITURES				
Current:				
General government	-	486	-	486
Education	-	10,029	54,918	64,947
Capital outlay	991	2,637	16,694	20,321
Total Expenditures	991	13,152	71,612	85,754
Excess of Revenues over (under) Expenditures	(925)	(12,891)	(66,395)	(80,211)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	189,300	189,300
Proceeds from sale of capital assets	-	58	-	58
Transfers from other funds	-	7,858	706	8,564
Transfers to other funds	(1)	(738)	(15,554)	(16,293)
Total Other Financing Sources (Uses)	(1)	7,178	174,452	181,628
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(926)	(5,713)	108,057	101,417
Fund Balances - Beginning of fiscal year	2,869	(18,371)	(435,558)	(451,060)
Fund Balances - End of fiscal year	\$ 1,943	\$ (24,085)	\$ (327,501)	\$ (349,643)



PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

The State Constitution was amended in 1984 to provide for the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under Part 19 of P.A. 451 of 1994, as amended. Most rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned land are credited to the fund. Public Act 451 of 1994 directs a portion (50%, up to \$10 million per year) of these revenues to the Michigan State Parks Endowment Fund. The voters approved a constitutional amendment in August 2002, which increased the amount that can be accumulated to \$500 million, modified the distribution formula, and allows the State Treasurer to invest in equity securities and other types of investments.

In accordance with statutory provisions, this fund is to accumulate up to \$500 million in reserves for permanent investments. The amount accumulated toward this cap is shown as a reservation of fund balance. Investment earnings and one-third of royalty earnings are available for appropriation. Two-thirds of royalty earnings, less the portion transferred to the Michigan State Parks Endowment Fund, are added to amounts held for permanent investments until the investment reserve reaches \$500 million. After that time, all royalties, less the portion transferred to the Michigan State Parks Endowment Fund, are restricted for investment and only interest is available for appropriation. Appropriations are used to fund grants to local units of government as well as State agencies to acquire land or develop public recreation facilities and to pay property taxes on State lands acquired by the fund.

MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, this fund operates under Part 741 of P.A. 451 of 1994, as amended, to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments.

The fund was established with a \$40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. By statute, up to \$10 million per year of revenues from oil and gas bonuses, rentals, and royalties from State-owned land are deposited into this fund until the Michigan Natural Resources Trust Fund reaches an accumulated principal of \$500 million after which time all revenue previously going to that fund will go to this fund. The fund's investment reserve will be capped at \$800 million. The legislature is limited to appropriating no more than 50% of the amount transferred from the Michigan Natural Resources Trust Fund plus interest and investment earnings. When the fund's reserve reaches \$800 million, only the interest and earnings in excess of the amount needed to maintain the \$800 million principal limit may be expended.

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND

Public Act 394 of 1994, as amended, established this fund for the purpose of conserving, improving, and developing the State's natural resources, and for enhancing, preserving, and maintaining public lands and waters through the employment of residents of this State in work training programs.

Twenty million dollars earmarked from the sale of the Accident Fund of Michigan provided the fund's permanent investment reserve. Only the interest and earnings of the fund can be expended.

MICHIGAN VETERANS' TRUST FUND

Public Act 9 of 1946 (First Extra Session) created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

COMBINING BALANCE SHEET**PERMANENT FUNDS**

SEPTEMBER 30, 2005

(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
ASSETS					
Current Assets:					
Cash	\$ -	\$ 1	\$ -	\$ -	\$ 1
Equity in common cash	121,461	18,654	619	2,346	143,080
Amounts due from local units	-	-	-	52	52
Securities lending collateral	4,262	2,213	3,615	8,866	18,955
Other current assets	12,299	1,057	194	465	14,014
Total Current Assets	138,022	21,924	4,428	11,728	176,101
Investments	249,696	111,438	19,185	44,623	424,942
Total Assets	\$ 387,718	\$ 133,362	\$ 23,613	\$ 56,351	\$ 601,043
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 180	\$ 66	\$ 3	\$ 1	\$ 250
Obligations under security lending	4,262	2,213	3,615	8,866	18,955
Accounts payable and other liabilities	2,379	924	57	436	3,796
Amounts due to other funds	14	41	2	7	64
Amounts due to component units	-	-	-	106	106
Deferred revenue	3,384	-	-	-	3,384
Total Current Liabilities	10,219	3,244	3,677	9,415	26,555
Total Liabilities	10,219	3,244	3,677	9,415	26,555
Fund Balances:					
Reserves For:					
Budgetary Carry-Forwards:					
Encumbrances	21,548	1,710	-	-	23,258
Multi-year projects	32,786	193	-	-	32,979
Funds held as permanent investments	289,044	117,362	19,586	49,000	474,993
Total Reserved	343,377	119,266	19,586	49,000	531,229
Unreserved	34,122	10,852	349	(2,064)	43,259
Total Fund Balances	377,499	130,118	19,936	46,936	574,489
Total Liabilities and Fund Balances	\$ 387,718	\$ 133,362	\$ 23,613	\$ 56,351	\$ 601,043

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

PERMANENT FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	TOTALS
REVENUES					
Miscellaneous	\$ 83,430	\$ 6,883	\$ 693	\$ 2,315	\$ 93,321
Total Revenues	83,430	6,883	693	2,315	93,321
EXPENDITURES					
Current:					
General government	201	80	56	173	510
Public safety and corrections	-	-	-	2,778	2,778
Conservation, environment, recreation, and agriculture	2,536	12,498	974	-	16,009
Capital outlay	21,216	3,175	-	-	24,391
Total Expenditures	23,954	15,752	1,030	2,952	43,688
Excess of Revenues over (under) Expenditures	59,476	(8,869)	(337)	(637)	49,633
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	245	-	-	-	245
Transfers from other funds	-	10,000	-	-	10,000
Transfers to other funds	(10,049)	(71)	(4)	(34)	(10,159)
Total Other Financing Sources (Uses)	(9,804)	9,929	(4)	(34)	86
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	49,672	1,059	(341)	(671)	49,718
Fund Balances - Beginning of fiscal year - restated	327,827	129,058	20,277	47,608	524,770
Fund Balances - End of fiscal year	\$ 377,499	\$ 130,118	\$ 19,936	\$ 46,936	\$ 574,489

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
PERMANENT FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2005

(In Thousands)

<u>Statutory/Budgetary Basis</u>	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Miscellaneous	\$ 83,430	\$ 83,430	\$ -	\$ 6,883	\$ 6,883	\$ -
Proceeds from sale of capital assets	245	245	-	-	-	-
Transfers in	-	-	-	10,000	10,000	-
Total Revenues and Other Sources	83,674	83,674	-	16,883	16,883	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	58,498	55,349	3,149	17,632	17,454	177
Treasury	201	201	-	80	80	-
Total Expenditures, Transfers Out, and Encumbrances	58,699	55,550	3,149	17,711	17,534	177
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 24,975	28,124	\$ 3,149	\$ (828)	(651)	\$ 177
Reconciling Items:						
Encumbrances at September 30		21,548			1,710	
Net Reconciling Items		21,548			1,710	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		49,672			1,059	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		327,827			129,058	
Ending balances (GAAP Basis)		\$ 377,499			\$ 130,118	

Michigan

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND			MICHIGAN VETERANS' TRUST FUND			TOTALS		
BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
\$ 693	\$ 693	\$ -	\$ 2,315	\$ 2,315	\$ -	\$ 93,321	\$ 93,321	\$ -
-	-	-	-	-	-	245	245	-
-	-	-	-	-	-	10,000	10,000	-
693	693	-	2,315	2,315	-	103,566	\$ 103,566	\$ -
-	-	-	4,829	2,813	2,017	4,829	2,813	2,017
1,099	978	120	-	-	-	77,228	73,782	3,446
56	56	-	173	173	-	510	510	-
1,155	1,034	120	5,003	2,986	2,017	82,568	77,105	5,463
\$ (461)	(341)	\$ 120	\$ (2,688)	(671)	\$ 2,017	\$ 20,998	26,461	\$ (5,463)
-	-	-	-	-	-	-	23,258	-
-	-	-	-	-	-	-	23,258	-
(341)	(341)	-	(671)	(671)	-	-	49,718	-
20,277	20,277	-	47,608	47,608	-	-	524,770	-
\$ 19,936	\$ 19,936	-	\$ 46,936	\$ 46,936	-	\$ 574,489	\$ 574,489	-



ENTERPRISE FUNDS

LIQUOR PURCHASE REVOLVING FUND

Public Act 8 of 1933 and later superseded by P.A. 58 of 1998 authorized the Liquor Control Commission, within the Department of Labor and Economic Growth, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State Treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with P.A. 431 of 1984.

ATTORNEY DISCIPLINE SYSTEM

The Attorney Discipline System consists of the Attorney Grievance Commission and the Attorney Discipline Board. This system provides the courts, legal profession, and the general public with a means to ensure that complaints against attorneys for potential violations of the Court Rules and the Michigan Rules of Professional Conduct are properly heard and investigated, and that sanctions are imposed where required. The Attorney Discipline System is under the supervision of the Michigan Supreme Court.

The Attorney Discipline System receives revenue in the form of mandatory annual assessments on members of the State Bar of Michigan, provided for by Court Rules. This system also receives other revenue, primarily through the assessment of administrative fees and the recovery of costs, including subpoena fees and transcript costs.

COMBINING STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2005

(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
ASSETS			
Current Assets:			
Cash	\$ 1	\$ 1,062	\$ 1,063
Equity in common cash	57,477	-	57,477
Inventories	3,214	-	3,214
Investments	-	1,869	1,869
Other current assets	7,287	101	7,387
Total Current Assets	67,978	3,032	71,010
Capital Assets:			
Buildings and equipment	-	722	722
Allowance for depreciation	-	(684)	(684)
Total capital assets	-	38	38
Total Assets	\$ 67,978	\$ 3,070	\$ 71,048
LIABILITIES			
Current Liabilities:			
Warrants outstanding	\$ 653	\$ -	\$ 653
Accounts payable and other liabilities	61,337	188	61,525
Amounts due to other funds	113	-	113
Deferred revenue	-	285	285
Current portion of other long-term obligations	172	-	172
Total Current Liabilities	62,275	473	62,748
Long-Term Liabilities:			
Noncurrent portion of other long-term obligations	828	-	828
Total Liabilities	63,102	473	63,575
NET ASSETS			
Invested in capital assets, net of related debt	\$ -	\$ 38	\$ 38
Unrestricted	4,876	2,559	7,434
Total Net Assets	\$ 4,876	\$ 2,597	\$ 7,472

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
OPERATING REVENUES			
Operating revenues	\$ 688,927	\$ 4,588	\$ 693,516
Total Operating Revenues	688,927	4,588	693,516
OPERATING EXPENSES			
Salaries, wages, and other administrative	52,791	3,841	56,632
Depreciation	-	15	15
Purchases for resale	503,364	-	503,364
Premiums and claims	134	-	134
Other operating expenses	1,087	-	1,087
Total Operating Expenses	557,377	3,856	561,233
Operating Income (Loss)	131,551	732	132,283
NONOPERATING REVENUES (EXPENSES)			
Specific tax on spirits	12,194	-	12,194
Interest revenue	2,520	99	2,618
Investment revenue (expense) - net	-	165	165
Other nonoperating revenues	51	-	51
Total Nonoperating Revenues (Expenses)	14,765	264	15,029
Income (Loss) Before Capital Contributions and Transfers	146,315	996	147,312
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers to other funds	(146,315)	-	(146,315)
Total Capital Contributions and Transfers In (Out)	(146,315)	-	(146,315)
Change in net assets	-	996	996
Total net assets - Beginning of fiscal year	4,876	1,600	6,476
Total net assets - End of fiscal year	\$ 4,876	\$ 2,597	\$ 7,472

**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2005

(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	ATTORNEY DISCIPLINE SYSTEM	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 688,927	\$ -	\$ 688,927
Membership dues	-	4,050	4,050
Payments to employees	(11,841)	(2,917)	(14,758)
Payments to suppliers	(541,284)	(587)	(541,871)
Other receipts	406	128	534
Other payments	(1,221)	(363)	(1,584)
Net cash provided (used)			
by operating activities	\$ 134,988	\$ 311	\$ 135,299
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other nonoperating revenues	\$ 51	\$ -	\$ 51
Specific tax on spirits	12,194	-	12,194
Transfers to other funds	(146,315)	-	(146,315)
Net cash provided (used)			
by noncapital financing activities	\$ (134,071)	\$ -	\$ (134,071)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds (purchases) from sale and maturities of investment securities	\$ -	\$ (540)	\$ (540)
Interest and dividends on investments	2,520	99	2,618
Net cash provided (used)			
by investing activities	\$ 2,520	\$ (441)	\$ 2,078
Net cash provided (used) - all activities	\$ 3,437	\$ (131)	\$ 3,307
Cash and cash equivalents at beginning of year	53,387	1,193	54,580
Cash and cash equivalents at end of year	\$ 56,825	\$ 1,062	\$ 57,887
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	\$ 1	\$ 1,062	\$ 1,063
Equity in common cash	57,477	-	57,477
Warrants outstanding	(653)	-	(653)
Cash and cash equivalents at end of year	\$ 56,825	\$ 1,062	\$ 57,887
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 131,551	\$ 732	\$ 132,283
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)			
by Operating Activities:			
Depreciation expense	-	15	15
Net Changes in Assets and Liabilities:			
Inventories	287	-	287
Other assets (net)	83	(43)	40
Accounts payable and other liabilities	3,067	16	3,084
Deferred revenue	-	(410)	(410)
Net cash provided (used)			
by operating activities	\$ 134,988	\$ 311	\$ 135,299

INTERNAL SERVICE FUNDS

CORRECTIONAL INDUSTRIES REVOLVING FUND

Created by P.A. 210 of 1935 and continued by P.A. 15 of 1968, this fund accounts for the financial transactions of a manufacturing and processing industry, employing inmates incarcerated in Michigan's correctional institutions. Public Act 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax-exempt organizations.

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The repayment provisions, as stipulated in Executive Order 1992-13, resulted in no required payment in fiscal year 2004-2005.

MOTOR TRANSPORT FUND

This fund was created by P.A. 260 of 1947 and continued by P.A. 431 of 1984 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

OFFICE SERVICES REVOLVING FUND

Created by P.A. 262 of 1952, this fund provides services in the following areas: printing, reproduction, microfilm, mailing, distribution of federal and state surplus property, and materials management. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment. During fiscal year 2001-2002, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

INFORMATION TECHNOLOGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. User agencies are billed for the cost of such services. During fiscal year 2001-2002, the use of this fund was expanded to account for all information technology activities of the executive branch as prescribed in Executive Order 2001-03.

RISK MANAGEMENT FUND

Administratively established, this fund accounts for certain centralized risk management functions performed by the Department of Management and Budget for other State agencies. Currently, the fund has assumed a degree of risk for the automotive liability. This activity and administrative functions are recorded as operating activity of the fund. An activity of the fund for which the fund assumes no risk is the centralized processing of workers' compensation payments for State agencies. Workers' compensation long-term claim liabilities are recorded in the Government-wide Financial Statements and the related current year workers' compensation expenditures are recorded in the applicable funds.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the State sponsored insurance plans that provide health, long-term disability, life, vision, and dental coverage for participating employees and retirees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the Government-wide Financial Statements entitled "Risk Management" provides additional information about this fund.

The amounts reflected as amounts due from other funds include reclassifications of other funds' negative balances in the common cash pool.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2005
 (In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
ASSETS			
Current Assets:			
Cash	\$ -	\$ 58	\$ 157
Equity in common cash	238	-	211
Amounts due from other funds	-	-	-
Amounts due from component units	-	-	-
Inventories	10,822	382	3,387
Other current assets	515	7,937	3,377
Total Current Assets	11,575	8,377	7,132
Capital Assets:			
Buildings and equipment	49,664	11,112	23,315
Allowance for depreciation	(23,136)	(9,859)	(16,125)
Total capital assets	26,528	1,253	7,190
Total Assets	\$ 38,103	\$ 9,630	\$ 14,322
LIABILITIES			
Current Liabilities:			
Warrants outstanding	\$ 294	\$ 39	\$ 537
Accounts payable and other liabilities	1,573	3,583	8,787
Amounts due to other funds	165	1,991	5,170
Deferred revenue	-	63	9
Current portion of other long-term obligations	128	27	1,256
Total Current Liabilities	2,159	5,703	15,759
Long-Term Liabilities:			
Advances from other funds	6,956	-	-
Noncurrent portion of other long-term obligations	1,543	455	3,139
Total Liabilities	\$ 10,658	\$ 6,158	\$ 18,899
NET ASSETS			
Invested in capital assets, net of related debt	\$ 26,528	\$ 1,253	\$ 5,174
Restricted for other purposes	917	2,220	-
Unrestricted	-	-	(9,751)
Total Net Assets	\$ 27,445	\$ 3,472	\$ (4,577)

Michigan

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
\$ -	\$ -	\$ 3	\$ 219
28,385	7,984	189,463	226,281
-	-	16,956	16,956
-	-	82	82
175	-	-	14,765
86	1,500	11,083	24,498
<u>28,646</u>	<u>9,484</u>	<u>217,586</u>	<u>282,800</u>
384,336	4	303	468,733
(332,401)	(4)	(303)	(381,828)
51,935	-	-	86,905
<u>\$ 80,581</u>	<u>\$ 9,484</u>	<u>\$ 217,586</u>	<u>\$ 369,706</u>
\$ 738	\$ 8	\$ 5	\$ 1,621
32,496	907	17,157	64,503
1,476	7	-	8,809
7,317	-	260	7,649
9,077	3,004	77,957	91,449
<u>51,105</u>	<u>3,926</u>	<u>95,379</u>	<u>174,031</u>
-	-	-	6,956
29,707	2,975	89,315	127,134
<u>\$ 80,812</u>	<u>\$ 6,900</u>	<u>\$ 184,694</u>	<u>\$ 308,120</u>
\$ 37,422	\$ -	\$ -	\$ 70,376
-	-	-	3,137
(37,653)	2,584	32,892	(11,928)
<u>\$ (231)</u>	<u>\$ 2,584</u>	<u>\$ 32,892</u>	<u>\$ 61,585</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2005
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
OPERATING REVENUES			
Operating revenues	\$ 36,454	\$ 59,238	\$ 95,804
Total Operating Revenues	36,454	59,238	95,804
OPERATING EXPENSES			
Salaries, wages, and other administrative	22,202	5,428	29,333
Interest expense	-	-	-
Depreciation	1,512	745	2,248
Purchases for resale	-	-	63,749
Purchases for prison industries	15,060	-	-
Premiums and claims	-	2,436	1
Other operating expenses:			
Leased vehicles expense	-	26,014	-
Vehicle maintenance expense	-	23,939	-
Total other operating expenses	-	49,952	-
Total Operating Expenses	38,773	58,562	95,331
Operating Income (Loss)	(2,319)	677	472
NONOPERATING REVENUES (EXPENSES)			
Other nonoperating revenues	-	129	8
Interest expense	(188)	-	(191)
Other nonoperating expense	(211)	-	(53)
Total Nonoperating Revenues (Expenses)	(399)	129	(237)
Income (Loss) Before Capital Contributions and Transfers	(2,718)	806	236
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions from other funds	-	-	-
Transfers to other funds	(208)	(28)	(106)
Total Capital Contributions and Transfers In (Out)	(208)	(28)	(106)
Change in net assets	(2,926)	778	130
Total net assets - Beginning of fiscal year	30,371	2,695	(4,707)
Total net assets - End of fiscal year	\$ 27,445	\$ 3,472	\$ (4,577)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
\$ 430,971	\$ 4,765	\$ 909,583	\$ 1,536,815
430,971	4,765	909,583	1,536,815
396,353	2,200	43,791	499,307
2	-	-	2
38,680	-	-	43,185
-	-	-	63,749
-	-	-	15,060
6	1,375	919,626	923,443
-	-	-	26,014
-	-	-	23,939
-	-	-	49,953
435,041	3,574	963,416	1,594,698
(4,071)	1,191	(53,834)	(57,884)
84	-	-	220
(502)	-	-	(881)
-	-	-	(265)
(419)	-	-	(925)
(4,489)	1,191	(53,834)	(58,809)
35	-	-	35
(907)	(13)	-	(1,261)
(872)	(13)	-	(1,226)
(5,361)	1,178	(53,834)	(60,035)
5,130	1,405	86,726	121,620
\$ (231)	\$ 2,584	\$ 32,892	\$ 61,585

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2005
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 36,168	\$ 58,987	\$ 93,188
Payments to employees	(14,413)	(2,807)	(11,709)
Payments to suppliers	(14,883)	(51,318)	(80,056)
Claims paid	-	-	-
Other receipts	-	21	-
Other payments	(7,357)	-	-
Net cash provided (used) by operating activities	\$ (484)	\$ 4,883	\$ 1,423
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	\$ 188	\$ 1,959	\$ 5,014
Loans or loan repayments to other funds	-	(6,914)	(5,126)
Transfers to other funds	(208)	(28)	(106)
Other receipts	-	-	8
Net cash provided (used) by noncapital financing activities	\$ (20)	\$ (4,983)	\$ (211)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (544)	\$ -	\$ (61)
Interest paid	(188)	-	-
Capital lease payments (including imputed interest expense)	-	-	(1,340)
Proceeds from sale of capital assets	-	129	1
Net cash provided (used) by capital and related financing activities	\$ (732)	\$ 129	\$ (1,399)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	\$ -	\$ -	\$ -
Net cash provided (used) by investing activities	\$ -	\$ -	\$ -
Net cash provided (used) - all activities	\$ (1,236)	\$ 30	\$ (187)
Cash and cash equivalents at beginning of year	1,180	(10)	18
Cash and cash equivalents at end of year	\$ (56)	\$ 19	\$ (169)
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Per Statement of Net Assets Classifications:			
Cash	\$ -	\$ 58	\$ 157
Equity in common cash	238	-	211
Warrants outstanding	(294)	(39)	(537)
Cash and cash equivalents at end of year	\$ (56)	\$ 19	\$ (169)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (2,319)	\$ 677	\$ 472
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	1,512	745	2,248
Net Changes in Assets and Liabilities:			
Inventories	121	(70)	107
Other assets (net)	(286)	1,762	(1,972)
Accounts payable and other liabilities	488	1,770	567
Net cash provided (used) by operating activities	\$ (484)	\$ 4,883	\$ 1,423
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital contributions	\$ -	\$ -	\$ -
Cost of capital assets acquisitions financed by capital leases	-	-	-
Capital lease liabilities entered into during the year	-	-	-
Gain (loss) on disposal of capital assets	(211)	-	(53)
Total noncash investing, capital, and financing activities	\$ (211)	\$ -	\$ (53)

INFORMATION TECHNOLOGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS
\$ 431,776	\$ 4,765	\$ 920,463	\$ 1,545,348
(144,913)	(664)	-	(174,505)
(252,428)	(1,391)	(259,521)	(659,598)
-	(3,032)	(714,081)	(717,113)
-	-	-	21
-	-	-	(7,357)
<u>\$ 34,435</u>	<u>\$ (321)</u>	<u>\$ (53,139)</u>	<u>\$ (13,203)</u>
\$ -	\$ -	\$ 12,040	\$ 19,201
-	-	(6,973)	(19,013)
(907)	-	-	(1,248)
-	(13)	-	(5)
<u>\$ (907)</u>	<u>\$ (13)</u>	<u>\$ 5,067</u>	<u>\$ (1,065)</u>
(18,388)	\$ -	\$ -	\$ (18,993)
-	-	-	(188)
(11,402)	-	-	(12,741)
-	-	-	130
<u>\$ (29,790)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,792)</u>
\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,739	\$ (334)	\$ (48,072)	\$ (46,060)
23,908	8,310	237,533	270,939
<u>\$ 27,647</u>	<u>\$ 7,976</u>	<u>\$ 189,461</u>	<u>\$ 224,879</u>
\$ -	\$ -	\$ 3	\$ 219
28,385	7,984	189,463	226,281
(738)	(8)	(5)	(1,621)
<u>\$ 27,647</u>	<u>\$ 7,976</u>	<u>\$ 189,461</u>	<u>\$ 224,879</u>
\$ (4,071)	\$ 1,191	\$ (53,834)	\$ (57,884)
38,680	-	-	43,185
(19)	-	-	139
45	1	5,472	5,023
(200)	(1,513)	(4,778)	(3,665)
<u>\$ 34,435</u>	<u>\$ (321)</u>	<u>\$ (53,139)</u>	<u>\$ (13,203)</u>
\$ 35	\$ -	\$ -	\$ 35
8,991	-	-	8,991
(8,991)	-	-	(8,991)
-	-	-	(265)
<u>\$ 35</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (230)</u>



PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

Notes to the financial statements, entitled "Deferred Compensation Plans" and "Pension Benefits and Other Postemployment Benefits," include additional information regarding the following funds and plans.

STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS

The State Employees' Deferred Compensation Fund I (457) and the State Employees' Deferred Compensation Fund II (401k) are combined for reporting purposes. Both funds were administratively established to account for deferred compensation plans that permit State employees to defer a portion of their income until future years. Executive Order 1999-7 transferred administration of the plans from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer continues to oversee investment options.

LEGISLATIVE RETIREMENT FUND

Public Act 261 of 1957 created the Legislative Retirement System (LRS) to provide retirement and other benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

Public Act 486 of 1996 amended LRS' enabling legislation to provide that individuals who first became a legislator or lieutenant governor on or after March 31, 1997, participate in the State's defined contribution plan.

STATE POLICE RETIREMENT FUND

This fund was created by P.A. 251 of 1935 and later superseded by P.A. 182 of 1986. A nine-member board, under the direction of a chairperson elected from the membership, administers the fund to provide retirement benefits for State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

STATE EMPLOYEES' RETIREMENT FUND

This fund was established by P.A. 240 of 1943 and is administered by a nine-member board under the direction of an Executive Secretary. Public Act 216 of 1974 eliminated the requirement for member contributions and provided for financing by legislative appropriation and investment earnings.

Effective March 31, 1997, P.A. 487 of 1996 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The public act also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981, the Public School Employees' Chapter I Retirement Fund merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. Public Acts 136 of 1945 and 259 of 1974, respectively, created the two original funds. An eight-member board governs administrative policy.

Employer contributions and investment earnings provide financing for the fund. Under P.A. 91 of 1985, employees may contribute additional amounts into a "member investment plan."

JUDGES' RETIREMENT FUND

Public Act 234 of 1992 authorized the merger of the Probate Judges' Retirement Fund into the Judges' Retirement Fund by requiring the consolidation of all assets, rights, and obligations under the former Judges' and Probate Judges' Retirement Funds. The Judges' Retirement Board, with the director of the Office of Retirement Systems as the Executive Secretary, administers the consolidated fund. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

Public Act 523 of 1996, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND

This fund was established by P.A. 487 of 1996 as a defined contribution pension plan for all state employees hired after March 31, 1997, and for those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. Executive Order 1999-7 transferred administration of the fund from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer shall continue to oversee investment options.

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**

SEPTEMBER 30, 2005

(In Thousands)

	STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND
ASSETS			
Cash	\$ -	\$ -	\$ -
Equity in common cash	1,414	2,879	3,890
Receivables:			
Employee	110,730	-	-
Employer	213	112	-
Interest and dividends	-	64	9
Due from other funds	-	-	3,025
Due from component unit	-	-	-
Sale of investments	-	488	-
Investments at Fair Value:			
Short-term investments	-	-	26,853
Bonds, notes, mortgages, and preferred stock	-	-	187,518
Common stock	-	71,061	540,728
Real estate	-	-	91,274
Alternative investments	-	-	131,612
International investments	-	-	138,920
Mutual funds	1,599,681	105,696	-
Pooled investment funds	1,734,017	-	-
Money market funds	82,640	-	-
Securities lending collateral	-	-	63,653
Total Assets	<u>\$ 3,528,696</u>	<u>\$ 180,301</u>	<u>\$ 1,187,481</u>
LIABILITIES			
Warrants outstanding	\$ -	\$ 10	\$ 140
Accounts payable and other liabilities	-	365	346
Amounts due to other funds	-	3	-
Obligations under security lending	-	-	63,653
Total Liabilities	<u>\$ -</u>	<u>\$ 379</u>	<u>\$ 64,139</u>
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, and other employee benefits	<u>\$ 3,528,696</u>	<u>\$ 179,922</u>	<u>\$ 1,123,341</u>
Reconciliation of Net Assets Held in Trust:			
Pension benefits	\$ -	\$ 167,993	\$ 1,120,129
Postemployment health-care benefits	-	11,929	3,213
Other employee benefits	3,528,696	-	-
Total net assets held in trust for benefits	<u>\$ 3,528,696</u>	<u>\$ 179,922</u>	<u>\$ 1,123,341</u>

Michigan

STATE EMPLOYEES' RETIREMENT FUND	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
\$ 36	\$ 12	\$ -	\$ -	\$ 48
21,428	82,396	1,436	112	113,556
-	-	-	50,514	161,243
94,752	414,304	87	37	509,505
78	304	2	-	457
30,830	-	-	-	33,855
316	-	-	-	316
-	-	-	-	488
349,107	1,391,103	8,027	-	1,775,090
1,612,115	6,507,076	51,499	-	8,358,207
4,918,520	19,182,378	136,403	-	24,849,090
856,146	2,958,414	31,689	-	3,937,522
1,119,253	4,596,675	23,555	-	5,871,095
1,182,265	4,850,485	31,422	-	6,203,092
-	-	-	285,555	1,990,933
-	-	-	182,842	1,916,859
-	-	-	100,043	182,683
566,873	2,222,790	16,974	-	2,870,289
<u>\$ 10,751,718</u>	<u>\$ 42,205,938</u>	<u>\$ 301,094</u>	<u>\$ 619,103</u>	<u>\$ 58,774,330</u>
\$ 1,666	\$ 6,481	\$ 44	\$ -	\$ 8,341
1,564	91,343	1	-	93,619
-	-	-	-	3
566,873	2,222,790	16,974	-	2,870,289
<u>\$ 570,103</u>	<u>\$ 2,320,613</u>	<u>\$ 17,018</u>	<u>\$ -</u>	<u>\$ 2,972,252</u>
<u>\$ 10,181,615</u>	<u>\$ 39,885,324</u>	<u>\$ 284,076</u>	<u>\$ 619,103</u>	<u>\$ 55,802,077</u>
\$ 10,132,826	\$ 39,361,450	\$ 284,205	\$ 619,103	\$ 51,685,705
48,790	523,875	(130)	-	587,677
-	-	-	-	3,528,696
<u>\$ 10,181,615</u>	<u>\$ 39,885,324</u>	<u>\$ 284,076</u>	<u>\$ 619,103</u>	<u>\$ 55,802,077</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2005
(In Thousands)

	STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND
ADDITIONS			
Contributions:			
From participants	\$ 164,421	\$ 200	\$ 1,679
From employers	-	3,275	55,096
From other plans	6,803	-	-
Investment Income:			
Net appreciation (depreciation) in fair value of investments	279,634	14,583	101,322
Interest, dividends, and other	100,670	5,642	31,173
Securities lending income	-	-	1,631
Less Investment Expense:			
Investment activity expense	-	548	1,472
Securities lending expense	-	-	1,543
Net investment income (loss)	380,304	19,677	131,111
Miscellaneous income	898	1,859	-
Total Additions	552,426	25,011	187,886
DEDUCTIONS			
Benefits paid to participants or beneficiaries	198,413	8,736	80,170
Medical, dental, and life insurance for retirants	-	4,240	26,842
Refunds and transfers to other systems	185	4	-
Administrative expense	5,936	326	294
Transfers to other funds	-	-	1
Total Deductions	204,533	13,306	107,306
Net increase (decrease)	347,893	11,706	80,580
Net assets held in trust for pension, postemployment health-care, and other employee benefits - Beginning of fiscal year	3,180,803	168,216	1,042,762
Net assets held in trust for pension, postemployment health-care, and other employee benefits - End of fiscal year	\$ 3,528,696	\$ 179,922	\$ 1,123,341
Reconciliation of Net Increase in Assets:			
Net increase (decrease) in assets held in trust for pension benefits	\$ -	\$ 9,569	\$ 77,367
Net increase (decrease) in assets held in trust for postemployment benefits	-	2,136	3,213
Net increase (decrease) in assets held in trust for other employee benefits	347,893	-	-
Total net increase (decrease)	\$ 347,893	\$ 11,706	\$ 80,580

Michigan

STATE EMPLOYEES' RETIREMENT FUND	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS
\$ 41,097	\$ 430,748	\$ 2,528	\$ 23,147	\$ 663,821
580,738	1,474,645	-	62,899	2,176,652
120	15	-	4	6,941
904,463	3,534,707	24,092	53,542	4,912,344
279,462	1,084,608	8,162	11,524	1,521,243
14,504	56,949	436	-	73,520
13,318	53,101	301	-	68,740
13,710	53,845	413	-	69,511
1,171,402	4,569,318	31,977	65,066	6,368,856
3	7	250	200	3,216
1,793,359	6,474,732	34,755	151,316	9,219,486
746,673	2,558,018	17,798	29,215	3,639,022
322,834	705,984	510	-	1,060,411
307	22,373	-	2,992	25,861
4,287	75,459	168	1,429	87,899
11	59	-	-	70
1,074,112	3,361,893	18,476	33,637	4,813,263
719,247	3,112,839	16,279	117,680	4,406,223
9,462,368	36,772,485	267,797	501,423	51,395,854
\$ 10,181,615	\$ 39,885,324	\$ 284,076	\$ 619,103	\$ 55,802,077
\$ 704,362	\$ 3,072,943	\$ 16,123	\$ 117,680	\$ 3,998,044
14,885	39,897	156	-	60,286
-	-	-	-	347,893
\$ 719,247	\$ 3,112,839	\$ 16,279	\$ 117,680	\$ 4,406,223



PRIVATE PURPOSE TRUST FUNDS

ESCHEATS FUND

The Escheats Fund operates under the authority of P.A. 29 of 1995 and is used to account for unclaimed property held by the State until claimed by the rightful owners. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the Act are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the Act.

GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

This fund was administratively established to account for gifts, bequests, and deposits donated or entrusted to the State. Gifts and donations to the State may only be expended in accordance with applicable external restrictions. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool.

HOSPITAL PATIENTS' TRUST FUND

Public Act 258 of 1974 established this fund to account for funds of patients receiving services in State hospitals. The Department of Community Health, in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. The Department of Community Health distributes interest on a monthly basis to patients meeting minimum balance requirements.

MICHIGAN EDUCATION SAVINGS PROGRAM

Public Act 161 of 2000 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. The State makes no monetary contributions into the program. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The State offers a tax deduction for contributions made each year.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
 SEPTEMBER 30, 2005
 (In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	TOTALS
ASSETS					
Cash	\$ -	\$ 781	\$ 23	\$ 568	\$ 1,372
Equity in common cash	89,893	26,345	167	-	116,406
Receivables:					
Interest and dividends	-	100	-	119	219
Investments at Fair Value:					
Bonds, notes, mortgages, and preferred stock	-	14,282	-	-	14,282
Common stock	-	109	-	-	109
Mutual funds	-	9	-	916,475	916,484
Guaranteed funding agreements	-	-	-	150,458	150,458
Securities lending collateral	-	2,475	-	-	2,475
Other current assets	3,163	2,858	16	726	6,763
Total Assets	\$ 93,056	\$ 46,960	\$ 206	\$ 1,068,347	\$ 1,208,568
LIABILITIES					
Warrants outstanding	\$ 1,090	\$ 855	\$ 16	\$ -	\$ 1,961
Accounts payable and other liabilities	30	5,955	10	1,145	7,140
Obligations under security lending	-	2,475	-	-	2,475
Total Liabilities	\$ 1,120	\$ 9,285	\$ 26	\$ 1,145	\$ 11,576
NET ASSETS					
Net assets held in trust for other purposes	\$ 91,937	\$ 37,675	\$ 179	\$ 1,067,202	\$ 1,196,993

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2005

(In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	TOTALS
ADDITIONS					
Contributions:					
From participants	\$ -	\$ -	\$ -	\$ 278,534	\$ 278,534
From clients	-	38,953	1,844	-	40,797
From gifts, bequests, and endowments	-	659	-	-	659
Investment Income:					
Net appreciation (depreciation) in fair value of investments	-	(178)	-	55,104	54,926
Interest, dividends, and other	-	1,025	6	34,044	35,075
Securities lending income	-	36	-	-	36
Less Investment Expense:					
Investment activity expense	-	-	-	4,048	4,048
Securities lending expense	-	35	-	-	35
Net investment income (loss)	-	848	6	85,100	85,953
Escheated property	91,562	-	-	-	91,562
Miscellaneous income	-	2,750	-	-	2,750
Total Additions	91,562	43,210	1,849	363,634	500,255
DEDUCTIONS					
Benefits paid to participants or beneficiaries	-	-	-	40,244	40,244
Amounts distributed to clients, claimants, or third parties	34,048	39,560	1,908	-	75,516
Administrative expense	10,948	1,723	-	-	12,671
Total Deductions	44,997	41,282	1,908	40,244	128,431
Net increase (decrease)	46,566	1,927	(58)	323,390	371,825
Net assets held in trust for others - Beginning of fiscal year	45,371	35,748	237	743,812	825,168
Net assets held in trust for others End of fiscal year	\$ 91,937	\$ 37,675	\$ 179	\$ 1,067,202	\$ 1,196,993
Reconciliation of Net Increase in Assets:					
Net increase (decrease) in assets held in trust for other purposes	\$ 46,566	\$ 1,927	\$ (58)	\$ 323,390	\$ 371,825
Total net increase (decrease)	\$ 46,566	\$ 1,927	\$ (58)	\$ 323,390	\$ 371,825

AGENCY FUNDS

ENVIRONMENTAL QUALITY DEPOSITS FUND

This fund was established to account for deposits for which the Department of Environmental Quality has legal custody as provided by various statutes.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by P.A. 218 of 1956, as amended, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

STATE TREASURER'S ESCROW AND PAYING AGENT FUND

This fund was administratively created and is used to account for investments held in escrow by the State Treasurer as fiscal agent for hospitals, which have defeased Michigan State Hospital Finance Authority (MSHFA) bonds.

CHILD SUPPORT COLLECTION FUND

This fund was administratively established to account for the activity of the Michigan State Disbursement Unit (MISDU). MISDU, administered by the Department of Human Services, was created to provide a single location within the State for the receipt and disbursement of child support payments.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
 SEPTEMBER 30, 2005
 (In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	STATE TREASURER'S ESCROW AND PAYING AGENT FUND	CHILD SUPPORT COLLECTION FUND	TOTALS
ASSETS					
Cash	\$ -	\$ -	\$ 1,557	\$ 67,920	\$ 69,477
Equity in common cash	2,775	910	-	-	3,685
Investments at Fair Value:					
Short-term investments	-	-	11,051	-	11,051
Bonds, notes, mortgages, and preferred stock	-	-	33,789	-	33,789
Other current assets	-	-	1,704	152	1,856
Other noncurrent assets	-	379,745	-	-	379,745
	<u>-</u>	<u>379,745</u>	<u>-</u>	<u>-</u>	<u>379,745</u>
Total Assets	<u>\$ 2,775</u>	<u>\$ 380,655</u>	<u>\$ 48,101</u>	<u>\$ 68,072</u>	<u>\$ 499,603</u>
LIABILITIES					
Warrants outstanding	\$ -	\$ 42	\$ -	\$ -	\$ 42
Accounts payable					
and other liabilities	2,775	588	14,286	66,993	84,641
Amounts due to other funds	-	-	-	1,079	1,079
Other long-term liabilities	-	380,025	33,815	-	413,840
	<u>-</u>	<u>380,025</u>	<u>33,815</u>	<u>-</u>	<u>413,840</u>
Total Liabilities	<u>\$ 2,775</u>	<u>\$ 380,655</u>	<u>\$ 48,101</u>	<u>\$ 68,072</u>	<u>\$ 499,603</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2005

(In Thousands)

	BALANCE OCTOBER 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2005
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Equity in common cash	\$ 2,875	\$ 105	\$ 205	\$ 2,775
Total Assets	<u>\$ 2,875</u>	<u>\$ 105</u>	<u>\$ 205</u>	<u>\$ 2,775</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 2,875	\$ 105	\$ 205	\$ 2,775
Total Liabilities	<u>\$ 2,875</u>	<u>\$ 105</u>	<u>\$ 205</u>	<u>\$ 2,775</u>
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Equity in common cash	\$ 1,220	\$ 59,228	\$ 59,538	\$ 910
Other noncurrent assets	372,614	81,930	74,799	379,745
Total Assets	<u>\$ 373,834</u>	<u>\$ 141,158</u>	<u>\$ 134,337</u>	<u>\$ 380,655</u>
LIABILITIES				
Warrants outstanding	\$ 154	\$ -	\$ 112	\$ 42
Accounts payable and other liabilities	786	59,460	59,658	588
Other long-term liabilities	372,894	81,930	74,799	380,025
Total Liabilities	<u>\$ 373,834</u>	<u>\$ 141,390</u>	<u>\$ 134,569</u>	<u>\$ 380,655</u>
STATE TREASURER'S ESCROW AND PAYING AGENT FUND				
ASSETS				
Cash	\$ 4,042	\$ 23,232	\$ 25,716	\$ 1,557
Investments at Fair Value:				
Short-term investments	15,070	13,179	17,199	11,051
Bonds, notes, mortgages, and preferred stock	44,606	-	10,817	33,789
Other current assets	2,209	5,559	6,064	1,704
Total Assets	<u>\$ 65,927</u>	<u>\$ 41,969</u>	<u>\$ 59,795</u>	<u>\$ 48,101</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 18,599	\$ 25,185	\$ 29,498	\$ 14,286
Other long-term liabilities	47,328	-	13,513	33,815
Total Liabilities	<u>\$ 65,927</u>	<u>\$ 25,185</u>	<u>\$ 43,011</u>	<u>\$ 48,101</u>

	BALANCE OCTOBER 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2005
CHILD SUPPORT COLLECTION FUND				
ASSETS				
Cash	\$ 75,665	\$ 1,596,164	\$ 1,603,909	\$ 67,920
Other current assets	3,821	-	3,669	152
Total Assets	<u>\$ 79,486</u>	<u>\$ 1,596,164</u>	<u>\$ 1,607,577</u>	<u>\$ 68,072</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 78,188	\$ 1,596,164	\$ 1,607,358	\$ 66,993
Amounts due to other funds	1,298	2,323	2,542	1,079
Total Liabilities	<u>\$ 79,486</u>	<u>\$ 1,598,487</u>	<u>\$ 1,609,900</u>	<u>\$ 68,072</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 79,707	\$ 1,619,395	\$ 1,629,625	\$ 69,477
Equity in common cash	4,095	59,333	59,743	3,685
Investments at Fair Value:				
Short-term investments	15,070	13,179	17,199	11,051
Bonds, notes, mortgages, and preferred stock	44,606	-	10,817	33,789
Other current assets	6,029	5,559	9,733	1,856
Other noncurrent assets	372,614	81,930	74,799	379,745
Total Assets	<u>\$ 522,122</u>	<u>\$ 1,779,395</u>	<u>\$ 1,801,915</u>	<u>\$ 499,603</u>
LIABILITIES				
Warrants outstanding	\$ 154	\$ -	\$ 112	\$ 42
Accounts payable and other liabilities	100,448	1,680,913	1,696,720	84,641
Amounts due to other funds	1,298	2,323	2,542	1,079
Other long-term liabilities	420,222	81,930	88,312	413,840
Total Liabilities	<u>\$ 522,122</u>	<u>\$ 1,765,166</u>	<u>\$ 1,787,685</u>	<u>\$ 499,603</u>